



News Release

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Prime London prices rise for the fourth month – led by overseas demand

Knight Frank Prime Central London Residential Index – July 2009 results

Key highlights:

- **Prices for prime central London properties rose for the fourth month running in July**
- **Last month's rate of growth at 1.5% means that the annual rate of price change has moderated to -14.4%**
- **Overseas buyers in the £1m+ market have grown their market share from 35% to 43% over the past 12 months**
- **The recent market revival has been led by Chelsea and Kensington, where prices have now risen by more than 6% since the low reached in March**
- **Houses have again outperformed flats, with growth of 1.9% in July meaning that prices are only 18% below the March 2008 peak.**
- **Relatively weaker performance for flats, has resulted in their prices standing almost 21% below peak levels, despite a 1% revival last month**
- **Price band performance is similarly divided, with the sub-£2.5m bracket seeing prices rise by more than 5% in the last three months, compared to only 3.9% for the £10m+ bracket**

Liam Bailey, head of residential research, Knight Frank, commented:

"It has been another strong month for the prime London residential market, with prices up across every sub-market, by area, price band and property type. While the UK market has seen a similar bounce in recent months – the prime markets appear to be leading the market by some margin.

"Rising prices in central London stem from three fundamental issues - returning confidence, resilient demand and plummeting supply.

"One factor underpinning all else is the fact that prices fell very hard and very fast a little more than six months ago. Partially due to the panic engendered by the Lehman's collapse, prices slipped 15% in the five months to January this year. By the early summer property in London was perceived to be offering very good value.



"A key attribute of the central London market has been shown up during the current downturn is the strength of demand. Confidence in the market is witnessed by the growth of applicant demand, up 37% year-on-year in Q2.

"Overall demand growth is important, but we ought to also consider the composition of this demand. UK buyers within the £1m+ market in London have typically comprised c65% of the market in recent years. In Q2 this year this share dropped to 57%.

"The three biggest overseas markets in Q2 2008 were European (37% of all overseas buyers), Russian (19%) and North American (13%). In Q2 this year these figures slipped (to 34%, 14% and 10% respectively) as we saw a doubling in the proportion of overseas demand from Africa, Asia, Australia, China, the CIS (Kazakhstan, Azerbaijan and Uzbekistan), and the Middle East.

"The final element supporting prices has been supply. For some time estate agents have been complaining about a lack of available stock. This issue is now becoming critical to the performance of the central London residential market.

"The volume of properties available in central London in July was down 34% compared to the same month a year earlier. The number of properties coming forward for the autumn market, is showing no improvement – with the pipeline of new properties coming to the market down 42% over the same period.

"Coupled to the fact that the prime markets in London have seen a virtual cessation of new development, new starts were down 60% in Q2 year-on-year, it appears that tight supply will be with us for some time to come.

"We can never discount the possibility of further price falls later in 2009 or even next year. While the UK economy seems to over the worst of the recession, there is uncertainty surrounding unemployment, inflation and future interest rates.

"The evidence so far is that the prime London market is proving resilient due to real demand requirements from UK and overseas buyers and that tight supply is underpinning prices."



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Knight Frank Prime Central London Index

	KF Prime Central London Index	12 month % change	6 month % change	3 month % change	monthly % change
Jul-08	4,491.4	-0.1%	-5.7%	-5.2%	-1.9%
Aug-08	4,414.5	-3.8%	-7.9%	-5.3%	-1.7%
Sep-08	4,321.3	-7.0%	-9.9%	-5.6%	-2.1%
Oct-08	4,152.6	-10.8%	-12.4%	-7.5%	-3.9%
Nov-08	4,003.2	-14.1%	-14.1%	-9.3%	-3.6%
Dec-08	3,914.6	-16.9%	-14.5%	-9.4%	-2.2%
Jan-09	3,769.5	-20.9%	-16.1%	-9.2%	-3.7%
Feb-09	3,713.3	-22.5%	-15.9%	-7.2%	-1.5%
Mar-09	3,652.2	-23.9%	-15.5%	-6.7%	-1.6%
Apr-09	3,666.3	-22.7%	-11.7%	-2.7%	0.4%
May-09	3,725.9	-20.1%	-6.9%	0.3%	1.6%
Jun-09	3,789.0	-17.2%	-3.2%	3.7%	1.7%
Jul-09	3,846.5	-14.4%	2.0%	4.9%	1.5%

Source: Knight Frank Residential Research

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Notes to Editors

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